Federated Hermes SDG Engagement High Yield Credit

H1 2024 report
September 2024

Federated Hermes Limited

www.hermes-investment.com
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Contents

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SDG Engagement High Yield Credit: H1 2024 highlights

The year in numbers

In the first half of 2024 we had

252 engagements with

115 companies

We engaged

88% of the companies we continue to hold

We are pursuing

293 objectives for change

We completed

19 objectives

We made progress on

85 objectives in H1 2024

Our most important SDGs:

13 CLIMATE ACTION — **90 objectives**

7 AFFORDABLE AND CLEAN ENERGY — **74 objectives**

12 RESPONSIBLE CONSUMPTION AND PRODUCTION — **63 objectives**

8 DECENT WORK AND ECONOMIC GROWTH — **31 objectives**

5 GENDER EQUALITY — **22 objectives**

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The SDG Engagement High Yield Strategy

The Sustainable Fixed Income team

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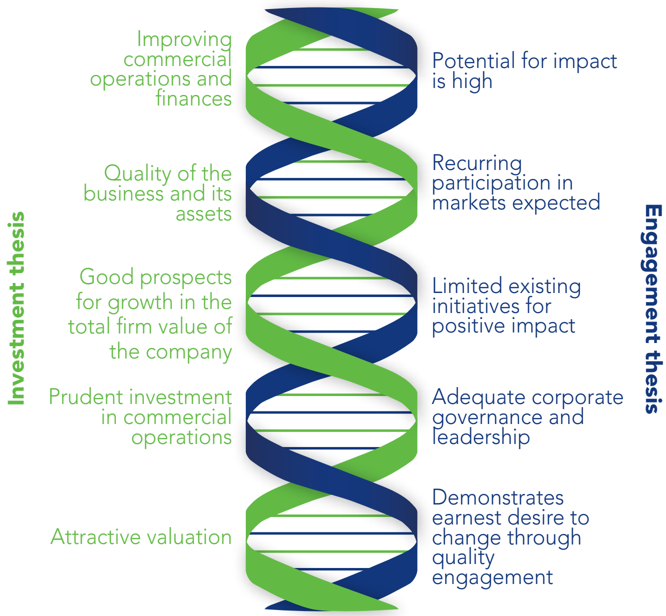
The SDG Engagement High Yield Credit (SDGHY) strategy seeks to deliver on colinear objectives: strong financial performance for investors, and future, positive social and environmental impact that contributes to achieving the United Nations' Sustainable Development Goals (SDGs).[4]

Figure 1. Investing with co-linear objectives



Source: Federated Hermes, as at 30 June 2021.

We believe an investor's financial stake-holding allows, if not obliges, them to engage in constructive dialogue with companies. Turning engagement into meaningful change takes time, so we require companies to be survivors in a levered universe. Within the global hard currency, high yield market, we favour companies with:

- A recurring presence in capital markets
- A stable investor base
- An ethos of transparency in disclosures and reporting
- The necessary credit strength to participate in long-term dialogue. (As opposed to companies in financial stress that do not have the bandwidth to focus on sustainability.)

In the five years the Strategy has been running we have built strong relationships with companies all around the world, in sectors that are key to achieving the SDGs. Our approach to engagement is company-first, rather than topic-first, meaning that our priority is to build a trusted partnership with the companies in which we invest, and then to engage on multiple SDG-relevant topics simultaneously. We do not set out to engage on particularly SDGs, instead we select the most relevant SDGs based on the company. This is because, in our view, effective engagement can only be achieved once we are positioned as a 'critical friend' of the company. This requires skill, patience and detailed knowledge of each business in which we invest. In this way, every engagement is unique and bespoke.

Measuring our progress and impact using milestones and objectives

Establishing a causal link between engagement efforts and real world outcomes is difficult in most situations. There are occasions when a company directly credits our intervention for actions it has taken, but we often need to rely on other measures of success. We use a four-stage milestone system to track the progress of our engagements relative to the objectives set for each company. When we set an objective, we also identify the milestones that need to be achieved. We regularly assess and evaluate progress against the original engagement proposal.

1 CFA® is a trademark owned by the CFA Institute.
2 CFA UK Level 4 Certificate in Climate and Investing.
3 CFA Institute Certificate in ESG Investing.
4 **Sustainable Development Goals (SDGs):** The SDGs are a set of 17 interconnected goals adopted by all UN member states in 2015. They are a universal call to action to end poverty, protect the planet and improve the lives and prospects of everyone, everywhere, by 2030.

Measuring our progress and impact using milestones and objectives

Figure 2. Engagement milestone system

Source: Federated Hermes.

Why proxy and voting-based engagement matters for fixed income investors

Throughout this paper, readers will see references to equity-style engagement actions and activity, such as proxy season. In sustainability, the interests of shareholders and creditors are aligned. As such, where relevant, we engage and act on the behalf of all financial stakeholders. We see this as a more effective path to creating positive change since it allows us to wield more influence than would otherwise be the case.

Investment review

Nachu Chockalingam, CFA®
Head of London Credit

Mitch Reznick, CFA®
Group Head of Fixed Income - London

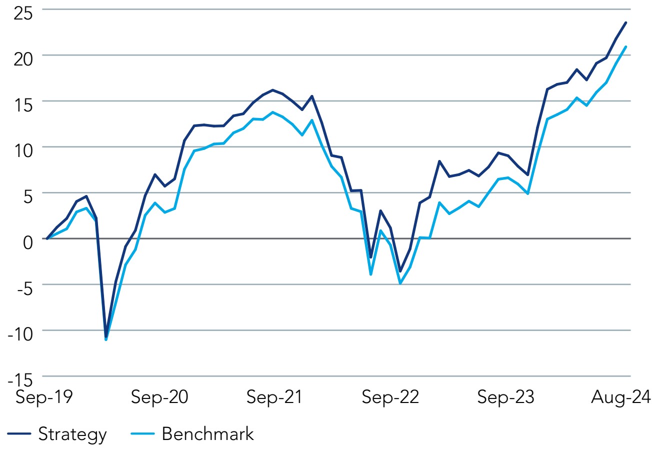
H1 2024 Investment Review

Since inception, the Strategy has returned 3.86% in US dollar terms, gross of fees, which is 50bps ahead of its benchmark index for the period. In H1 2024, our Strategy returned 2.95% in US dollar terms, gross of fees.[5]

Credit markets largely took the repricing of central bank expectations in their stride in H1 2024, pushing spreads back towards their policy-induced tights of 2021. There was a small pull back following the decision to hold snap elections in France in June but the impact was short lived. Global growth is still recovering, supporting credit fundamentals and supressing default rates. We, like many market participants, are getting used to the idea that spreads can remain tight for a while longer until there is definitive proof that the soft landing narrative is invalid or there is a material external shock.

We expect H2 2024 sentiment to be driven by the trajectory of global rates and also the US election. Yield curve steepening, as a result of rates being cut as inflation falls back into line, should be good for credit. This is because, in time, such a backdrop will reduce the attractiveness of cash-like instruments, leaving credit yields looking superior versus their alternatives.

Figure 3. The SDG Engagement High Yield Credit Strategy versus its benchmark since inception (%)



Rolling year performance (%)

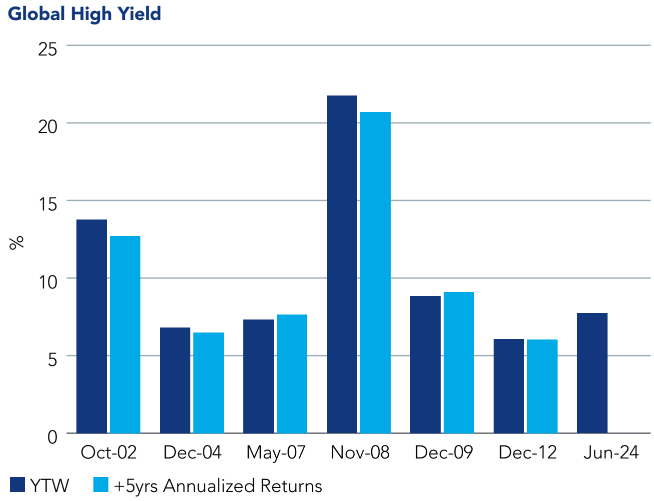
	31/12/2023 to 31/12/2024	31/12/2022 to 31/12/2023	31/12/2021 to 31/12/2022	31/12/2020 to 31/12/2021
SDG Engagement High Yield Credit	11.04	10.03	-14.67	13.80

Source: Federated Hermes as at 30 June 2024. Performance shown is the Federated Hermes Int'l SDG Engagement High Yield Credit hedged to US$ Strategy. Inception date: 30 September 2019. Benchmark is the ICE BofAML Global High Yield Constrained Index hedged to US$. Data is supplemental to the GIPS report that can be found in the appendix. **Past performance is not a reliable indicator of future returns.**

The Strategy's benchmark spreads were largely on a tightening trajectory throughout H1 2024 as spread compression became the key theme of the period. Spreads reached a peak of 405bp at the start of the year to end the period close to all-time tights at 340bp. All-in yields have declined marginally but still remain elevated to historical levels. Our analysis indicates that the entry yield can be a good predictor of future returns for high yield (as can be seen in Figure 6).

[5] Past performance is not a reliable indicator of future performance. Management fees are not included and will have the effect of reducing performance.

Figure 4: HY yields and returns after five years



Source: Bloomberg as at 30 June 2024. **Past performance is not a reliable indicator of future returns.**

Figure 5: Global high yield spreads in 2024 (bps)

Source: Bloomberg 30 June 2024, HW0C Govt OAS. **Past performance is not a reliable indicator of future returns.**

Figure 6: Yield History (YTW) 2019 to H1 2024 (%)

Source: Bloomberg 30 June 2024. HW0C Yield to worst.
Past performance is not a reliable indicator of future returns.

Turning to our ambitions regarding the impact potential of the Strategy, both our credit analysts and our engagement specialists had a fruitful half year, with multiple engagement successes. As well as providing crucial portfolio-positioning insight, the team supporting the Strategy drove over 252 engagement actions with 115 companies in H1 2024 (as detailed on the opening page of this report).

We strongly believe that a wide range of companies in our Strategy have the potential to benefit society and the natural environment – their key challenge is in the progressive development of clean, future-resilient and more equitable next-generation industries and value chains. In short, it is the job of many of these companies to provide the building blocks for economies and essentials for everyday life and employment. Their value chains must be transformed if we meet the aims of a cross-section of environmentally- and socially-focused SDGs.

Engagement review

Converting potential to realised impacts

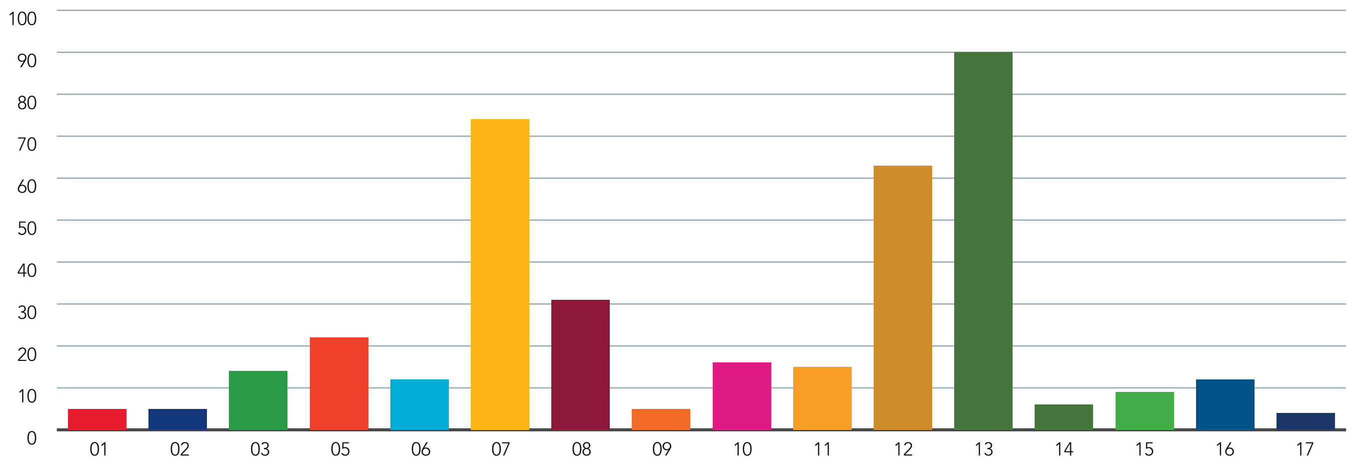
When assessing the impact potential of a company, we look at the difference that could be made by changing a particular aspect of its operations, i.e. the delta of change.

The change we seek becomes an 'objective', and any given company might have multiple engagement objectives running concurrently. The chart below shows a breakdown of all the objectives we have running across all companies held in the strategy (as of 30/06/2024).

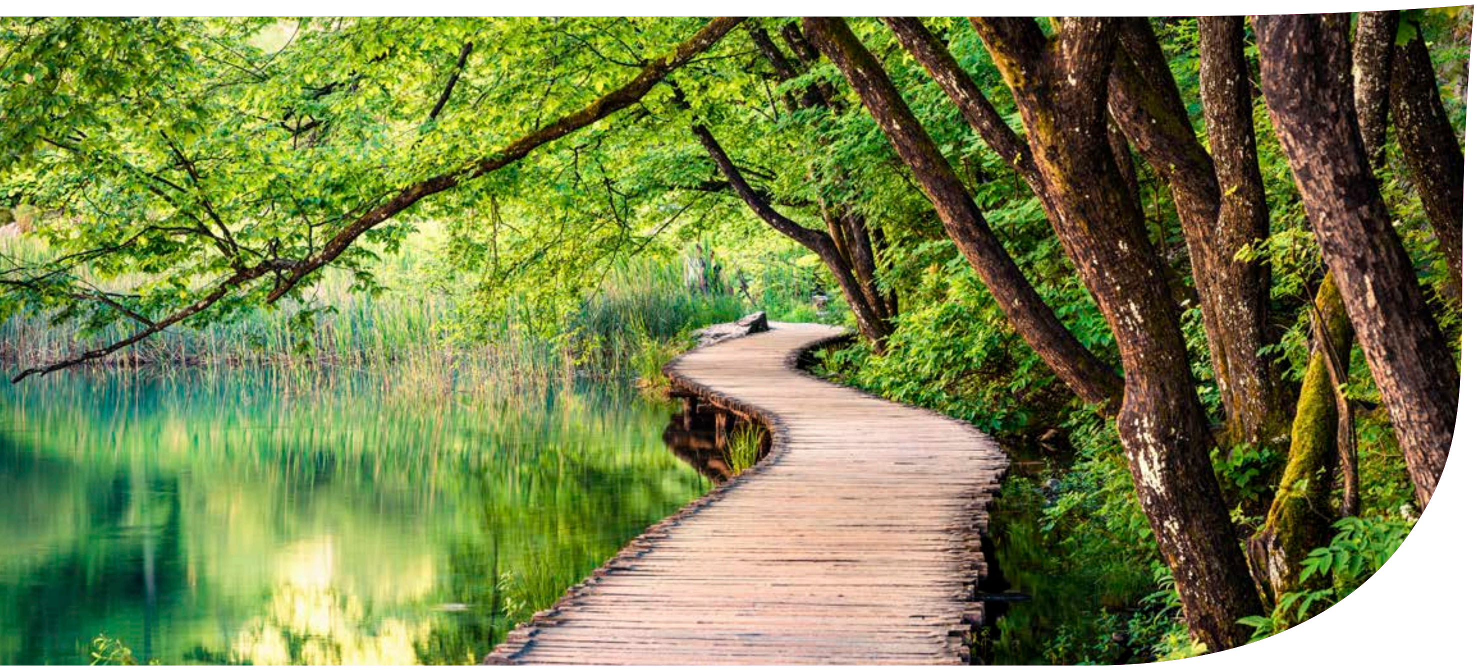
The distribution of SDGs has stayed relatively stable since the inception of the strategy, however, the number of objectives has increased steadily year-on-year as we build productive relationships with each company and expand our view of its impact potential.

In the remaining sections of this report we go into detail on the most relevant SDGs.

Figure 7: Number of live objectives per SDG



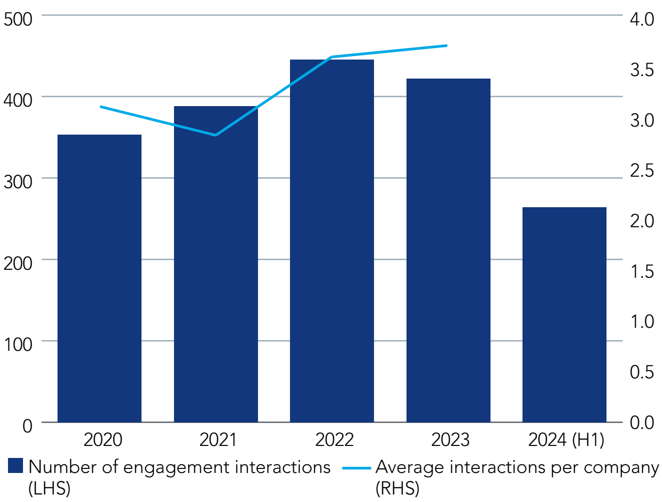
Source: Federated Hermes, six months to 30 June 2024.



Activity

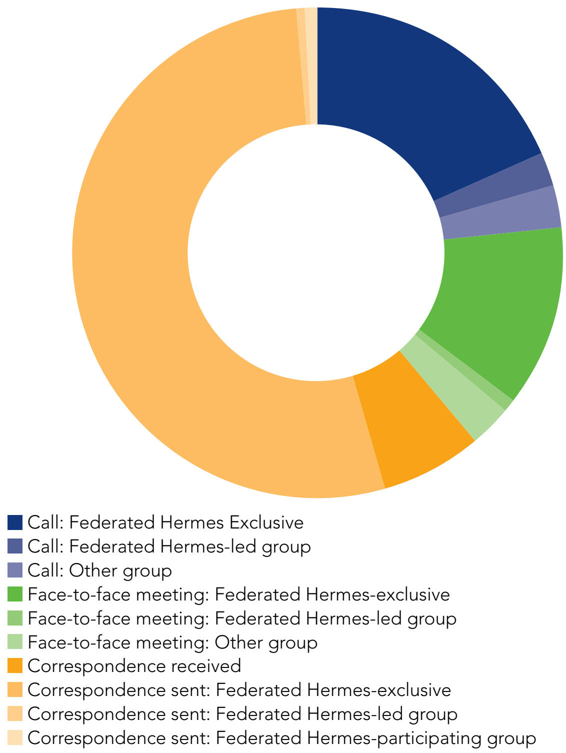
One of the ways we measure engagement activity is the total number of interactions we have with companies. This is partly a result of the intensity required by our current objectives, partly how readily we can access a company, and partly how many companies are held: more companies equals more engagement. We use all methods of engagement available to us, including face-to-face meetings, writing letters to the board, video calls and collaborating with other investors. Overall, there has been about a 50/50 split between written and verbal engagement since the Strategy first launched.

Figure 8: Number of engagements



Source: Federated Hermes, six months to 30th June 2024.

Figure 9: Methods of engagement in H1 2024



Source: Federated Hermes, six months to 30th June 2024.

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SDG Impact

In the following sections we report on the changes that have occurred across the portfolio according to the engagement objectives set for each company.

13 CLIMATE ACTION

7 AFFORDABLE AND CLEAN ENERGY

SDG 13 – Climate Action and SDG 7 – Clean Energy

Climate change as a systemic risk is relevant to virtually all sectors. However, despite the moniker of 'Climate Action,' most targets within SDG 13 are geared towards policymakers at subnational, national and supranational levels. However, there is one crucial indicator that measures progress towards SDG 13.2: Total greenhouse gas (GHG) emissions per year. We are conservative in making the link between our objectives and SDG 13, reserving it for situations when we are directly seeking reduced greenhouse gas emissions.

Reducing the aggregate amount of GHG emissions is an incredibly complicated task. Sources of emissions are diffuse and are the result of billions of individual decisions by people and businesses. Novel solutions are required for industrial processes that currently have no technologically feasible way of eliminating emissions. However, with all of that said, many fossil-fuel driven emissions have a clear method to eliminate most greenhouse gases: electrification with clean electricity. Shifting to renewable electricity is a common topic raised in our climate related engagement. This is captured under SDG 7: affordable and clean energy.

This might require utility companies, for instance, to deploy renewables and displace high-carbon power generation. It might also require incumbent energy firms to invest in transition and renewable fuels. For companies outside the energy and utilities sectors, we ask them to create demand by planning for and adopting renewables, and investigating how hard-to-abate uses of energy can be upgraded, adapted or replaced in the future.

SDGs 7, 12 and 13 have highly compatible co-benefits within their respective targets.

The key goals within SDG 7 and 13:

- 7.1: Ensure universal access to affordable, reliable and modern energy services.
- 7.2: Increase substantially the share of renewable energy in the global energy mix
- 7.3: Double the global rate of improvement in energy efficiency
- 7.b: Expand infrastructure and upgrade technology for supplying modern and sustainable energy services for all in developing countries.
- 13.1: Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries.
- 13.2: Integrate climate change measures into national policies, strategies and planning. For companies, the key indicator is 13.2.2, total greenhouse gas emissions per year.

Company	Engagement Objective	Progress update	Status
Bank of Ireland 7.2 7.3	Sustainable lending strategy	Bank of Ireland has achieved meaningful shifts in its sustainable finance outlook and commitments, which are now quite material relative to total lending. In June 2021, the bank increased its sustainable finance commitment for 2021-2024 from €2bn in mid-2020 to €5bn, increasing this again in 2023 to €30bn by 2030. The bank has also built upon its sustainable finance approach by launching several innovative products, such as its EcoSaver mortgage, which incentivises energy efficiency retrofits on residential homes with reduced mortgage rates, and its Enviroflex sustainability-linked loan offering for agrifood clients. We learned during a Q2 2024 engagement that the bank is working to provide granular social impact reporting on its initiatives. We also suggested that the bank could express future targets and disclosures on a relative, rather than absolute basis, to articulate the materiality of its sustainable finance initiatives to total banking activity, a suggestion which the bank appeared open to. We look forward to future enhancements to the bank's sustainable finance approach, but consider this objective to be completed given the significant progress and leadership position that the bank successfully established to date.	Objective completed, Q2 2024
Intesa Sanpaolo 7.2	Net-zero banking strategy	Our objective is for the bank to publish a complete strategy that includes deadlines and transition pathway timeframes for lending and banking activity, in addition to a target for net zero within the full scope of its own emissions. During a Q1 2024 engagement, the bank indicated that it is submitting its targets for SBTi[6] validation in March 2024. It explained the work that it had completed to align its existing targets to the SBTi's expectations, and presented two additional sector targets it has established for its iron and steel and commercial real estate portfolios. By the end of 2024, it aims to have established targets for all nine priority sectors under the NZBA.[7]	Milestone 3 completed, Q1 2024

[6] **The Science Based Targets initiative (SBTi):** Established in 2015, the SBTi is designed to help companies to set greenhouse gas (GHG) emission reduction targets in line with climate science. The initiative defines and promotes best practices in emissions reductions and includes a team of experts to provide companies with independent assessment and validation of their targets.

[7] **NZBA:** Bank-led and UN-convened, the Net-Zero Banking Alliance (NZBA) is a group of leading global banks committed to aligning their lending, investment, and capital markets activities with net-zero greenhouse gas emissions by 2050.

Company	Engagement Objective	Progress update	Status
Berry Global 7.2 13.2	Net-zero target	Berry Global announced a 1.5°-aligned near-term 2025 emission reduction target in 2021. Our objective was for the company to extend its climate commitments by setting a mid-term target (2030) and a 2050 or sooner net-zero target. We expect the targets to explicitly include at least 95% of Scope 1 and 2 emissions and to cover the most relevant Scope 3 emissions[8] (upstream & downstream across the lifecycle). We wrote to the company in Q4 2022 to share our climate expectations that are aligned with the NZAM[9] initiative and the NZAOA.[10] In Q1 2023, we learnt during a call that the company would likely focus on setting a 2030 target after reaching its 2025 target and that it had escalated our previous written expectations for a net-zero commitment. At the same time, the company sought our advice on what to include in its next sustainability report. Shortly after, the company did announce a commitment to achieving net zero emissions across its global operations and value chain by 2050. In Q1 2024, we were able to discuss this new target during a call with the company, and we are pleased to know that it is aiming for a 90% reduction in Scope 1, 2 and 3 emissions, which completed our objective.	Objective completed, Q1 2024 ✓
Occidental Petroleum 12.6 13.2	Methane reduction	Methane is a potent greenhouse gas, and anthropogenic methane emissions are responsible for at least a quarter of current global warming. The Oil and Gas Methane Partnership 2.0 (OGMP2.0) is a UNEP programme designed to meet the ambition outlined by the International Energy Agency (IEA) to limit temperature rise to 1.5°C through the reduction of methane from oil and gas production by 75% by 2030. Our objective was for the company to disclose its methane intensity and set methane targets in line with the OGMP2.0, and encourage upstream producers to do the same. We first shared our expectations on methane disclosure and target-setting in alignment with the OGMP2.0 during a call in Q1 2022. The company informed us it was filling in the paperwork to join the partnership and that it had already set targets for methane and CO2 equivalent (CO2e) intensity as members of the Oil and Gas Climate Initiative. It said it sees OGMP's value as driving alignment and partnering with third-party operated ventures, and that it will align capital expenditures with methane. We followed up on this matter in Q1 2023 via correspondence and spoke with the company again in Q2 2024. During the latter engagement we asked the company what feedback it has gotten through its endorsement of OGMP2.0 from upstream suppliers. The company explained it is engaging with joint partners to see the value of the initiative and that it is sharing best practices with these companies in response to the most common pushbacks. Regarding its current methane intensity targets, it said it has submitted its mitigation plan to OGMP2.0 and has achieved the programme's gold standard at level 4. These positive developments allowed us to complete this objective in Q2 2024.	Objective completed, Q2 2024 ✓

[8] Scope emissions: Scope 1, Scope 2, and Scope 3 is a classification system for greenhouse gas (GHG) emissions a firm creates through its operations, energy usage, and the wider value chain.

- Scope 1 emissions – All direct emissions from the activities of an organisation or under their control. Including fuel combustion on site such as gas boilers, fleet vehicles and air-conditioning leaks.
- Scope 2 emissions – Indirect emissions from electricity purchased and used by the organisation. Emissions are created during the production of the energy and eventually used by the organisation.
- Scope 3 emissions – All other indirect emissions from activities of the organisation, occurring from sources that they do not own or control. These are usually the greatest share of the carbon footprint, covering emissions associated with business travel, procurement, waste and water.

[9] **NZAM:** The Net-Zero Asset Managers initiative is an international group of asset managers committed, consistent with their fiduciary duty to their clients and beneficiaries, to supporting the goal of net zero greenhouse gas emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5°C; and to supporting investing aligned with net zero emissions by 2050 or sooner.

[10] **NZAOA:** The UN-convened Net-Zero Asset Owner Alliance is a member-led initiative of institutional investors committed to transitioning their investment portfolios to net zero GHG emissions by 2050 – consistent with a maximum temperature rise of 1.5°C.

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

SDG 12 – Ensure sustainable consumption and production patterns

Targets and indicators in SDG 12 are among the most material for our strategy – and for impact from companies. The building blocks of SDG 12 – such as efficient use of resources, sustainable waste management and sound use of chemicals – are relevant to companies making physical goods or generating energy. SDG 12.6 even targets corporate sustainability reporting, a driver of engagement efforts to surface quantified ESG and impact metrics.

The key goals within SDG 12:

- 12.2: Achieve the sustainable management and efficient use of natural resources.
- 12.4: Achieve the environmentally sound management of chemicals and all wastes throughout their life cycle.
- 12.5: By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.
- 12.6: Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle.

Company	Engagement Objective	Progress update	Status
Huntsman 12.4	Harmful substances	Due to an increase in regulatory action and public perception, there is an increasing risk of existing and profitable chemical products becoming unuseable. Our objective is for Huntsman to publish a comprehensive strategy on hazardous substances, which should include its governance approach, risk assessment and a position on substances of high concern. We first engaged on this matter in Q2 2021, where we raised the idea of stranded products and requested that the company publishes a strategy on hazardous substances. Since then, it has provided a description in its sustainability report of the process used to assess substances of concern, and during a call in Q2 2024, the company told us it tracks its chemicals in accordance with several substances-of-concern lists. The company is still finalising its overarching chemical strategy, including safer alternatives, and we continue to encourage more disclosure around the topic.	Milestone 3 completed, Q2 2024
Ardagh 12.4	Removal of BPA (bisphenol-A) from product line	Our objective is for Ardagh to eliminate Bisphenol A (BPA)[11] from its product line, with a prioritised focus on removing the BPA lining from its aluminium can manufacturing process. We wrote to the company in support of its BPA-free product line for aluminium cans in Q4 2023. During a Q1 2024 engagement with the company regarding plans to exit BPA manufacturing, Ardagh said that it does not intend for the inner lining of its cans to contain bisphenol-A (BPA) by 2025 nor intends to use per- and polyfluoroalkyl substances (PFAS)[12] on the outer can by the end of this year in the US and Europe.	Milestone 3 completed, Q1 2024
Aker BP 12.6 13.2	GHG Emissions Removal Strategy	In 2021, we saw an opportunity for Aker BP to elaborate on its decarbonisation strategy to reach 'near absolute zero' by 2050 by explaining the role carbon removal projects will play. This would lend credibility to what we already consider to be an ambitious strategy among peers in the oil and gas sector, and help the company outline the investment required by these projects which will enhance its financial planning. Over the course of 3 engagement between 2021 and 2024, we met the company both virtually and in-person to discuss the role of carbon removal projects in its decarbonisation strategy. We explained the importance of articulating the role of carbon offsets and credits being used to reach its targets and confirmed that the company is prioritising absolute emissions reductions before using any form of carbon offsets to achieve targets. In early 2023, the company was awarded a licence to store CO_2 in the Norwegian Continental Shelf (NCS) and began assessing its potential. The 2023 Annual Report included forecasted gross emissions reductions and, crucially, also provided estimated figures on the net reduction it expects from carbon removal projects, referencing both reforestation and CCS. This gives us greater visibility on how it will achieve its 2030 and 2050 goals. The exact balance between reforestation and CCS remains unclear at present, given that CCS is a developing technology. With the expected role of carbon removal projects defined annually between 2030 and 2050, the company has completed this objective. We will continue to discuss this topic with the company to understand its evolving outlook on the economic viability of its CCS projects.	Objective completed, Q2 2024

[11] Bisphenol A (BPA) is a chemical compound primarily used in the manufacturing of various plastics.

[12] Per- and polyfluoroalkyl substances (PFAS or PFASs) are a group of synthetic organofluorine chemical compounds that have multiple fluorine atoms attached to an alkyl chain; there are 7 million such chemicals according to PubChem.

8 DECENT WORK AND ECONOMIC GROWTH

SDG 8 – Decent work

Our engagement on decent job creation and safe and fairly-compensated working conditions spans full value-chains for most companies in the business of both products and services, and this directly connects to SDG 8, to promote inclusive and sustainable economic growth, full and productive employment and decent work for all.

Key goals within SDG 8:

- 8.3: Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalisation and growth of micro-, small- and medium-sized enterprises, including through access to financial services.
- 8.7: Take immediate and effective measures to eradicate forced labour, end modern slavery and human trafficking and secure the prohibition and elimination of the worst forms of child labour, including recruitment and use of child soldiers, and by 2025 end child labour in all its forms.
- 8.8: Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment.
- 8.10: Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all.

Company	Engagement Objective	Progress update	Status
Valeo 8.8	Mental health support	Our objective is for employers to recognise their safeguarding responsibilities towards their employees, including with respect to their mental health. Flowing from this, our objective is for Valeo to develop a mental health workplace policy with senior management taking a leadership role in creating a culture that encourages openness and dialogue on mental health. Valeo took us through its approach to mental health and well being, presenting a detailed road map for employee development and implementation of its safeguarding policies. We congratulated the company on the emphasis it had put on this area and we urged it to provide improved disclosures around the topic to inform its investors on progress. Valeo underlined how it was taking action because of the need and expectations of employees, and the benefits it saw from the actions, rather than a need for window dressing. It said it would review how it could disclose its activities and report progress towards its target to be 70% implemented by 2025 in the next annual report.	Milestone 3 completed, Q2 2024
UniCredit 8.3 8.8	Human rights policy	Our objective is for the bank to ensure its policy commitment to communities and indigenous peoples' rights meets best practices in a transparent manner. During a Q1 2024 engagement, the bank said it recognises that its current human rights policy is out of date and is working to revise it. It agreed with us that BankTrack's Human Rights Benchmark highlights important areas for improvement, adding that human rights due diligence and client engagement would be its main areas of focus for its new commitments. We suggested several improvements to its disclosures including case studies, high-level data on cases assessed and a description of its salient human rights risks. We agreed to provide written feedback on its human rights disclosures following the publication of its next integrated report.	Milestone 2 completed, Q1 2024

5 GENDER EQUALITY

10 REDUCED INEQUALITIES

SDG 5 – Gender Equality and SDG 10 – Reduced Inequality

Diversity, equity and inclusion links directly to multiple SDGs. SDG 10 features direct targets and indicators on closing inequality gaps and ending discrimination. SDG 5 focuses specifically on gender equality. In engagement, we are focused on how companies can positively impact regional or community-specific inequality gaps within workforces and management teams, how they influence this in supply chains, and how more diverse boards can provide robust oversight with broader skillsets and points of view. Companies, through workforces of hundreds or thousands of employees, directly act on social inequalities in the way they recruit, manage, develop and retain human capital, even if wider barriers can often remain at the national level.

Key goals within SDG 5 and 10:

- 5.1: End all forms of discrimination against all women and girls everywhere.
- 5.5: Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life.
- 10.1: By 2030, progressively achieve and sustain income growth of the bottom 40% of the population at a rate higher than the national average.
- 10.2: By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status.

Company	Engagement Objective	Progress update	Status
Range Resources 5.5 10.2	Board diversity	Our objective is for Range Resources to improve board diversity, including both gender diversity and racial/ethnic diversity. We started engaging with the company on this topic in Q2 2023, raising our concerns regarding the low level of female representation on the board. We encouraged the company to focus on the addition of another woman at the next opportunity to refresh the board and to consider increasing the board size to allow more space for diverse talent. We also encouraged the company to assign a specific director for DEI oversight, as it was currently assigned to the human resources committee, with all board members responsible for oversight. At the 2024 AGM, a new director joined the board, increasing representation of directors from a minority background. We continue to push for Range Resources to add another woman to the board, which would allow us to complete this objective. We will also continue to encourage the appointment of a DEI director.	Milestone 3 completed, Q1 2024

Appendix: GIPs performance data

Schedule of Rates of Return and Statistics

Composite: **Federated Hermes SDG Engagement High Yield Credit Hedged to USD**

Index: **ICE BofA Global High Yield Constrained (USD Hdgd)**

Periods ending: **30 June 2024**

	Returns (%) Composite Gross Return	Benchmark	Composite Net Return
Q2 24	1.08	1.44	0.92
YTD	2.95	3.52	2.61
1 Year	11.04	11.44	10.32
3 Years (Annlzd)	1.40	1.16	0.74
Oct-19 – Jun-24 (Annlzd)^^	3.86	3.36	3.18

^^^Represents composite inception period. See page 2 for additional notes to the schedule of rates of return and statistics.

The composite includes all discretionary portfolios following the SDG Engagement Global High Yield Credit Hedged to USD strategy run by the Federated Hermes Global Credit team (London Office) and has an inception date of 1 October 2019. The objective of the strategy is to exceed the return of the benchmark over a rolling five-year period whilst delivering positive societal impact aligned to the United Nations Sustainable Development Goals ("UN SDGs"). The strategy may invest in a broad range of assets, either directly or through the use of derivatives, (including, but not limited to, equities, equity-related securities, Eligible CIS and/or financial indices, futures, options, swaps, debt, fx and money markets). The strategy through its investments in FDIs may be leveraged. The composite's benchmark is the ICE BofA Global High Yield Constrained Hedged to USD Index, which is designed to measure the debt market performance of global high yield debt. The benchmark contains primarily USD and EUR issues. The Index is rebalanced on the last calendar day of the month and the return is calculated on a total return basis. This composite was created in November 2019. Performance shown for 2019 is for a partial period starting 1 October 2019. Federated Hermes claims compliance with the Global Investment Performance Standards ("GIPS®") and has prepared and presented this report in compliance with the GIPS® standards. Federated Hermes has been independently verified for the period of January 1, 1992, through March 31, 2024. The verification report is available upon request. A firm that claims compliance with the GIPS® standards must establish policies and procedures for complying with all the applicable requirements of the GIPS® standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS® standards and have been implemented on a firm-wide basis. Verification does not provide assurance on the accuracy of any specific performance report. The management fee schedule for this strategy is 0.65% per annum. Gross of fees returns have been calculated gross of management/custodial fees and net of reclaimable withholding taxes, but after all trading commissions.

Year	Annual Returns (%) Composite Gross Return	Composite Net Return	Benchmark Return	*Composite 3-Yr St Dev	*Benchmark 3-Yr St Dev	No of Portfolios	**Dispersion	Composite Assets (Million)	Firm Assets (billion)
2019	4.04	3.87	2.90	N/A	N/A	<5	N/A	276.3	40.2
2020	7.94	7.23	6.48	N/A	N/A	<5	N/A	680.6	585.7
2021	2.87	2.20	3.04	N/A	N/A	<5	N/A	1,855.3	634.2
2022	(9.51)	(10.10)	(11.38)	12.00	11.19	<5	N/A	918.0	627.4
2023	11.24	10.52	12.97	8.63	7.81	<5	N/A	1,369.8	720.0

*Represents the 3-year annualized standard deviation for both the gross composite and the index returns. Statistic is used to measure the volatility of composite returns.

** Standard deviation is calculated using gross returns. Standard deviation is not applicable (N/A) for any period if fewer than five accounts are in the composite for that period.

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